

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Texas Board of Architectural Examiners



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Board of Architectural Examiners (Board) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Sept. 1, 2015, through Aug. 31, 2016, to determine compliance with applicable state laws.

The Board receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Board's documents comply in the future. The Board must ensure that the findings discussed in this report are resolved.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes. The Board did not have any voluntary contributions during the audit period.

The audit identified:

- One employee file missing prior state service verification.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

- No issues were identified.

The Board did not pay any prompt payment interest during the audit period.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes.

- No issues were identified.

Internal control structure

The Board's internal control structure was reviewed. The review was limited to obtaining an understanding of the Board's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Three employees could pick up warrants from the Comptroller's office and approve paper vouchers.
 - Two of these employees also had the security to adjust payment instructions in the Texas Identification Number System (TINS) and approve vouchers.
 - One of these employees also had the security to process and release payrolls.
- One employee signed the Confidential Treatment of Information Acknowledgment (CTIA) form after access was granted to the Comptroller systems.

Fixed assets

The audit included a limited number of fixed assets acquired by the Board during the audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.

Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Board's payroll, purchase and travel transactions was concluded on March 8, 2013.

During the current audit, the following recurring findings were identified:

- Missing prior state service verification.
- Internal control structure:
 - Employee can adjust payment instructions in TINS and approve vouchers,
 - Employee can pick up warrants from the Comptroller's office and approve paper vouchers.

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Verification

Finding

During our review of the Board's personnel files, we identified one file missing prior state service verification. The Board entered the state service dates in the employee's job application in the system but did not follow up with the previous employer to verify the dates. During the audit, the Board verified the employee's prior state service. No adjustments in the system had to be made since the dates on the employee's application were accurate. There was no impact to longevity pay.

The Board's procedures include sending prior state verification forms to the other agencies whenever an employee indicates prior state service. In this instance, the Board did not follow proper procedures in verifying the prior state service.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it in the system or run the risk of paying longevity incorrectly. Agencies are also required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. See [Texas Payroll/Personnel Resource](#) – Required Documentation.

The Board was provided with a schedule of this finding during fieldwork. It is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Board must continue to review its personnel files to ensure that all prior state service verifications are properly documented and maintained in each employee's personnel file.

Board Response

The Board agrees with this finding and will make improvements as described below. During the audit, the employee's state service was verified on Feb. 16, 2017. To ensure that all prior state service is verified at the time of a new hire, Human Resources will forward the TBAE Employee Prior State Service Form and completed Prior State Service Verification forms to the Operations Manager for review before including the documents into the personnel file.

In addition to following up on prior state service verifications at the time of a new hire, Human Resources will use USPS report 97 Monthly Longevity/Hazardous Duty Report for Employees Changing Pay Rate in the Current Month to review the personnel files to ensure that the employee changing rates is entitled to the longevity pay.

DETAILED FINDINGS — EXPENDITURE APPROVALS

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the audit, we reviewed certain limitations that the Board placed on its accounting staff's ability to process expenditures. We reviewed the Board's security in USAS, USPS, TINS and voucher signature cards that was in effect on Jan. 30, 2017. We did not review or test any internal or compensating controls the Board may have relating to USAS, USPS or TINS security or internal transaction approvals.

We identified three employees with multiple security capabilities. All three employees could pick up warrants from the Comptroller's office and approve paper vouchers. Two of those employees could also adjust payment instructions in TINS and approve vouchers. The third employee could also process and release payrolls. According to the Board, it is difficult to completely segregate duties since they are a small agency and need backups for when someone is out. The Board stated that they will contact the Comptroller's office to receive additional guidance on what security adjustments they can make that will not impact their daily operations.

The Comptroller's office is aware that the Board took steps to resolve this issue when some of the findings were addressed during the previous audit and established system controls to mitigate some risks. Although the Board removed two employees' process and release capabilities through USAS, a risk still exists when considering the specific voucher (electronic or manual) approval capabilities combined with the security access in TINS. In addition, any individual added to the voucher signature card is designated to approve the Board's expenditures, including expenditures processed electronically through USAS as well as emergency payments using a paper voucher. See [*Expenditure Approvals and Certification \(FPP B.007\)*](#). Regarding the capability to process and release payrolls, although the Board's process is to have one person create the payroll and another release it, the master security profile in USPS for the employee identified allows them to do both.

As a routine part of our security review, we also evaluated the Board's compliance with the requirement that all users of the Comptroller systems must complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to the Comptroller systems, the Board's security coordinator must first have the user read and sign the CTIA form. A reviewing official also signs the form, which the Board's security coordinator keeps on file for as long as the user has access to the systems, plus five years. In our review, we identified one CTIA form that was signed after the individual gained access to the Comptroller systems.

The Board was provided a schedule of these findings during fieldwork. It is not included with this report due to confidentiality issues.

Recommendation/Requirement

The Board must limit user access by not giving users the authority to pick up warrants from the Comptroller's office along with the authority to release/approve vouchers in USAS. The Board must also limit the access of users who can enter/change a voucher or release/approve a batch in USAS to view-only access in TINS (PTINS02). An individual should not be able to create a vendor, change a vendor profile, create a payment and approve the payment. The Board must work with the Comptroller's Statewide Fiscal Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS. Also, the Board must enhance its procedures to ensure that no user gains access to the statewide financial systems without a timely and properly completed CTIA form.

Board Response

The Board agrees that having multiple staff with both create and release capabilities could pose a risk. Finance staff are keenly aware of this risk and have never experienced an incident of it.

To address this issue, the Finance Division will have one staff member with dual capability, one with release only, and the third one with batch creation only. This will be made part of the agency's Policy and Procedures for Accounts Payable and the 96a screens in USAS will be modified to reflect that.

The Board will continue to monitor payments through the Comptroller's office reports as to who creates and releases batches, helping ensure that no one individual does both. We will continue to be vigilant in our pursuit of zero tolerance regarding the unauthorized transaction processing in this finding.